2011 ABRIDGED ANNUAL REPORT

UNIT TRUSTS

ALLAN GRAY

Contents

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Edgar Loxton

Chairman's Report

Overview of our funds

The difficult macro environment led to much market volatility in 2011. Over the past 12 months the returns from lump sum investments in the Allan Gray Balanced, Stable and Equity Funds differ by less than 2%, and over the five years since the beginning of the financial crisis, the annualised difference between these three is less than 1%.

Asset allocation funds like Balanced and Stable fulfil their brief by reducing the risk of loss and taking advantage of short-term buying opportunities. This comes from diversifying between different asset classes and, most importantly, by not taking on risk when it is not justified by potential gains. And reduced risk is a real benefit: as our asset allocation funds have managed to smooth over the dips that equity investors have experienced this year, it follows that fewer of these clients will have made a permanent capital loss by selling their investments at a damaging low point.

The Stable Fund had a good year, but this follows two mediocre years. We are pleased that most of the Fund's investors remained patiently invested through the mediocre years, and enjoyed some of the fruits of this patience in 2011. While we believe that disciplined investors should benefit from their fund achieving its objectives over the longer term, we acknowledge that such discipline can be difficult to maintain when the going gets tough.

For valuation-oriented investors, disappointing past equity returns can be a signal to invest. In our view, this is not currently the case: at year-end prices, based on bottom-up stock analysis, the reward on offer relative to the risk of loss in most JSE-listed stocks remains as unexciting as it was a year ago, and we continue to see more opportunity abroad. The positioning of our funds both in terms of the level of equity exposure and the shares we actually own is driven, as always, by our bottom-up views of fundamental value on a case-by-case basis and where the risk of permanently losing money is the lowest.

Our Chief Investment Officer Ian Liddle goes into more detail about the world and the markets in his report on page 2, and information on the performance and portfolios of each individual fund follows thereafter.

Our funds started the year on R116bn. This had increased to R127bn by 31 December 2011 through R1bn of net inflows and R10bn of investment performance. We are pleased to report that the total number of unitholders who entrust us with their investments continues to increase.

People moves

Portfolio manager and director Delphine Govender left Allan Gray in the first quarter of 2012. Delphine made an outstanding contribution to the success of our clients and our company over her more than 10 years with us, and we wish her well in her future endeavours.

Ruan Stander, who has been an equity analyst with us since 2008, has been appointed as portfolio manager designate of our relative risk portfolios (including the Optimal Fund).

Transparency and simplicity are key

We encourage you to invest for the long term, and will do our best to provide you with the information you need to make the best investment decisions. It is very important for us that investors understand our investment philosophy, the funds they are invested in, or considering investing in, and that they are adequately informed. We strive to supply clear, transparent information which focuses on what is important and we encourage you to read our monthly fund factsheets and to use the tools available via our secure website.

Our fund factsheets have been redesigned recently to improve the depth of information, and to make the design more user-friendly and appealing. We have also expanded, and continue to expand, the functionality of our secure website and we invite you to experiment with these features to see how they can add to your investing experience. You can now do almost anything online that you can do in the offline world, with added convenience, along with additional services and tools. We encourage you to register for a secure account if you don't already have one. Simply visit www.allangray.co.za and click on 'Register'.

Although we are passionate about providing you with a range of online tools, this is part of a holistic service offering. We also invite you to call our Client Service Centre on 0860 000 654.

Ian Liddle

Chief Investment Officer's Report

South Africa has thus far been spared the crushing austerity measures affecting Europe. Three important factors have been in our favour so far: a decade of strongly rising commodity prices, capital inflows from foreigners and a less indebted starting point. But one should be careful not to extrapolate these favourable factors indefinitely into the future. Underlying these positive influences are many things to worry about, such as our high levels of unemployment and little discernible progress in employment growth; inefficiency in our ageing deep-level mines; and the relatively high proportion of our public budget spent on wages and social grants, which are not adding to future productive capacity. Our own age of austerity may still lie in wait. In my opinion, South Africans need to save more to properly prepare themselves for this possibility.

Global equity markets

An important feature of 2011 was the underperformance of the emerging markets – the MSCI Emerging Market Index returned a negative 18.2% in dollars, and the FTSE/JSE All Share Index (ALSI) returned a negative 16% in dollars. The MSCI World Index returned a negative 5% in dollars for the year. This was only the third calendar year this millennium in which emerging markets underperformed developed markets (the other two years were 2000 and 2008).

Almost a quarter of the Allan Gray Balanced and Stable Funds are now invested overseas. This lends more scope to these Funds than they previously enjoyed to diversify their country, currency and sector exposures. Orbis is able to access investment opportunities in sectors of the global economy which are under-represented on the JSE.

For example, the biggest sector exposure in the Orbis Global Equity Fund is to the technology sector (33% of the Fund). In contrast, technology sector stocks account for 1.2% of the value of the South African shares in the Allan Gray Equity Fund, and for only 0.3% of the ALSI. Orbis is able to invest in global technology companies such as Cisco, Qualcomm, Google, SAP and Samsung, which are simply not available to us on the local market.

The vast bulk of the exposure in the Orbis Global Equity Fund is to shares listed in the developed markets of North America, Europe and Japan. Many of these companies stand to benefit from potential further growth in demand for their products and services from the emerging markets, but with arguably less downside risk in the event of macroeconomic disturbances. Our research process puts little weight on where a share is listed, and which index it falls into, and places great emphasis on the attractiveness of the share price relative to that individual company's fundamentals.

Investors not constrained by retirement fund regulations, which limit exposure to certain asset classes, are able to further increase their exposure to global markets and currencies by investing in any of our three rand-denominated foreign unit trusts, without the need for foreign investment approval.

South African equity markets

Arguably the toughest issue for our local investment team right now is around the questionable sustainability of commodity prices and mining company profit margins, which are mostly substantially higher than their long-term averages. For example, the 21st century boom in iron ore prices has been of a similar magnitude to the Nasdaq tech bubble in the 1990s, the Japanese stock market bubble in the 1980s and the gold bubble in the 1970s.

We believe that many commodity prices are significantly above their normal levels, which makes some mining company shares not nearly as attractive as suggested by a naive glance at their currently low P/E multiples. At present, we remain underweight the diversified mining companies – this may detract from our relative performance if commodity prices and mining company profit margins stay in the stratosphere for a few more years. However, we have found the most rewarding investment strategy to be one based on an assessment of a company's true long-term value rather than its immediate prospects.

Portfolio Managers

Ian Liddle
Chief investment officer
B Bus Sc (Hons) CFA

Ian graduated from UCT and joined Allan Gray in 2001 as an equity analyst after several years as a management consultant. Ian has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. In February 2008 he was appointed as chief investment officer, with overall responsibility for the investment team and portfolio management. He is a director of Allan Gray Proprietary Limited.

Duncan Artus
Portfolio manager
B Bus Sc (Hons) PGDA CFA CMT

Duncan joined Allan Gray in 2001 as an equity analyst after completing his honours in Business Science and a postgraduate diploma in accounting at UCT. Duncan has been managing a portion of client equity and balanced portfolios since January 2005, when he was appointed as a portfolio manager. Duncan holds both the CFA and CMT charters.

Delphine Govender
Portfolio manager
B Com Dip FMI (Cum laude) CA (SA) CFA

Delphine joined Allan Gray as an analyst in July 2001. After completing her articles at Deloitte, she worked as an investment analyst, gaining three years investment experience prior to joining Allan Gray. In January 2005, Delphine was promoted to the position of portfolio manager. She is also the fund manager of the Allan Gray Optimal Fund and is a director of Allan Gray Proprietary Limited.

Andrew Lapping
Portfolio manager
B Sc (Eng) B Com CFA

Andrew completed his B Sc (Eng) and B Com at UCT. He joined Allan Gray in February 2001 as a fixed interest trader and moved to the research team as an equity analyst in February 2003. He was appointed as fixed interest portfolio manager in June 2006 and he is a fund manager for the Allan Gray Bond and Money Market funds. In February 2008 he took on the additional responsibility of managing a portion of client equity and balanced portfolios.

Sandy McGregor
Portfolio manager
B Sc BA (Hons)

Sandy joined Allan Gray as an investment analyst and economist in October 1991. Previously he was employed by Gold Fields of South Africa Limited in a variety of management positions for 22 years where much of his experience was focused on investment related activities. His current responsibilities include the management of fixed interest and individual client portfolios and he is a fund manager for the Allan Gray Bond Fund. He was a director of Allan Gray Proprietary Limited from 1997 to 2006.

Simon Raubenheimer
Portfolio manager
B Com (Hons) (Cum Laude) CFA

Simon joined Allan Gray in February 2002 as a trainee equity analyst. He completed a B Com (Econometrics) degree at UP and a B Com Honours (Finance) degree at UCT in 2001 and is a CFA charter holder. He was promoted to the position of senior analyst in 2007 and in July 2008 was appointed as an equity portfolio manager.

Allan Gray Unit Trusts

Fund	Fund objective (specific benchmarks are shown on the performance pages that follow)	Local/ offshore	Suitable for investors who:	Category
100% High net equity exposure				
Allan Gray Equity Fund	The Fund aims to outperform the South African equity market over the long term, without taking on greater risk.	Local	• Seek exposure to JSE-listed equities to provide long-term capital growth • Are comfortable with stock market fluctuation, i.e. short- to medium-term volatility • Are prepared to take on the risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as an equity 'building block' in a diversified multi-asset class portfolio	Domestic-Equity-General
Allan Gray-Orbis Global Equity Feeder Fund	The Fund aims to outperform global stock markets over the long term, without taking on greater risk.	Offshore	• Seek exposure to diversified international equities to provide long-term capital growth • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with global stock market and currency fluctuation and risk of capital loss • Typically have an investment horizon of more than five years • Wish to use the Fund as a fully invested global equity 'building block' in a diversified multi-asset class portfolio	Foreign-Equity-General
40% - 75% Medium net equity exposure				
Allan Gray Balanced Fund	The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk.	Local	• Seek steady long-term capital growth • Are comfortable with taking on some risk of market fluctuation and potential capital loss, but typically less than that of an equity fund • Wish to invest in a unit trust that complies with retirement fund investment limits • Typically have an investment horizon of more than three years	Domestic-Asset Allocation-Prudential Variable Equity
Allan Gray-Orbis Global Fund of Funds	The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk.	Offshore	• Seek long-term capital growth from a diversified international equity portfolio without being fully exposed to stock market risk • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on some risk of market and currency fluctuation and potential capital loss, but typically less than that of an equity fund • Typically have an investment horizon of more than five years • Wish to use the Fund as a foreign medium equity 'building block' in a diversified multi-asset class portfolio	Foreign-Asset Allocation-Flexible
0% - 40% Low net equity exposure				
Allan Gray Stable Fund	The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits on an after-tax basis.	Local	• Are risk-averse and require a high degree of capital stability • Seek both above-inflation returns over the long term, and capital preservation over any two-year period • Require some income but also some capital growth • Wish to invest in a unit trust that complies with retirement fund investment limits	Domestic-Asset Allocation-Prudential Low Equity

Allan Gray Unit Trusts

Fund	Fund objective (specific benchmarks are shown on the performance pages that follow)	Local/ offshore	Suitable for investors who:	Category
0% - 20% Very low net equity exposure				
Allan Gray Optimal Fund	The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns.	Local	• Seek steady absolute (i.e. positive) returns regardless of stock market trends • Require a high degree of capital stability • Wish to invest in a product that offers uncorrelated returns relative to shares or bonds as a ‘building block’ in a diversified multi-asset class portfolio	Domestic-Asset Allocation-Targeted Absolute and Real Return
Allan Gray-Orbis Global Optimal Fund of Funds	The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits.	Offshore	• Seek steady absolute returns ahead of those of cash measured in global currencies • Wish to invest in international assets without having to personally expatriate rands • Are comfortable with taking on the risk of currency fluctuation, but prefer little exposure to stock market risk • Wish to use the Fund as a foreign absolute return ‘building block’ in a diversified multi-asset class portfolio	Foreign-Asset Allocation-Flexible
No equity exposure				
Allan Gray Bond Fund	The Fund aims to provide investors with a real return over the long term and outperform the All Bond Index at no greater risk.	Local	• Seek a bond ‘building block’ for a diversified multi-asset class portfolio • Are looking for returns in excess of those provided by money market or cash investments • Are prepared to accept more risk of capital depreciation than in a money market or cash investment	Domestic-Fixed Interest-Bond
Allan Gray Money Market Fund	The Fund aims to preserve capital, maintain liquidity and generate a sound level of income.	Local	• Require monthly income distributions • Are highly risk-averse but seek returns higher than bank deposits • Need a short-term investment account	Domestic-Fixed Interest-Money Market

Performance Summary

Annualised performance to 31 December 2011 over 10, 5 and 3 years.
Fund performance is shown net of all management fees and expenses.

Fund	10 years	5 years	3 years
Allan Gray Equity Fund	20.7%	9.0%	16.2%
Benchmark[1]	15.2%	8.1%	17.3%
Allan Gray-Orbis Global Equity Feeder Fund		2.6%	5.6%
Benchmark[2]		1.6%	7.0%
Allan Gray Balanced Fund	17.4%	9.4%	12.1%
Benchmark[3]	13.1%	7.2%	11.7%
Allan Gray-Orbis Global Fund of Funds		5.6%	0.6%
Benchmark[4]		5.8%	4.7%
Allan Gray Stable Fund (after tax)	12.1%	8.5%	7.2%
Benchmark[5]	7.3%	7.1%	6.0%
Allan Gray Optimal Fund		7.6%	5.5%
Benchmark[6]		7.4%	5.9%
Allan Gray Bond Fund		9.4%	9.6%
Benchmark[7]		8.6%	7.4%
Allan Gray Money Market Fund	8.9%	8.7%	7.3%
Benchmark[8]	8.8%	8.5%	7.2%

Allan Gray-Orbis Global Optimal Fund of Funds: This Fund was launched on 1 March 2010 and therefore there is no performance data available for these periods.

All benchmark performance is calculated by Allan Gray as at 31 December 2011.

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge).
2. FTSE World Index including income (Source: Bloomberg).
3. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar).
4. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg).
5. Return of call deposits (for amounts in excess of R5 million) with FirstRand Bank Limited plus 2%; on an after-tax basis at a tax rate of 25% (Source: FirstRand Bank).
6. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5 million) (Source: FirstRand Bank).
7. All Bond Index (Source: I-Net Bridge).
8. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.

Allan Gray Equity Fund

Portfolio managers

Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping, Simon Raubenheimer

Fund objective and benchmark

The Fund aims to outperform the South African equity market over the long term, without taking on greater risk. The Fund's benchmark is the FTSE/JSE All Share Index including income.

Commentary

The benchmark FTSE/JSE All Share Index (ALSI) returned 2.6% for the 2011 calendar year. The ALSI closed the year a fraction below 32 000 points, which was slightly down on its January 2011 opening level of just above 32 000 points. The total return of the ALSI for the year was thus entirely derived from dividends. Overall South African stock market returns for 2011 were disappointing relative to those of domestic bonds (8.8% for the All Bond Index) and cash (5.7%), but especially disappointing relative to global equities (15.9% in rands for the MSCI World Index) and global bonds (29.6% in rands for the JP Morgan Global Bond Index). The lacklustre returns from the South African stock market are not surprising given the relatively full valuations on South African shares at the start of the year.

The Fund had a good year, outperforming the ALSI by 7.5 percentage points. Notable contributors to this outperformance were the Fund's substantial holdings in British American Tobacco, Sasol and SABMiller. The biggest detractor from the Fund's performance was Sappi.

We are mindful that this good year follows underperformance in 2009 and 2010. Investment managers can never afford to rest on their laurels, and we continue to work hard to identify the South African shares offering the best relative value for inclusion in the Fund. Our success in this task will determine the Fund's future long-term returns relative to its benchmark.

In our experience, our investment actions are often 'early', which means that shares can continue to fall after we have established a full position, or continue to rise after we have sold out. We accept this as an inevitable consequence of our investing style if it happens when the momentum of irrational markets drives share prices far past their intrinsic value. But it can also occur if we misestimate a company's intrinsic value. Obviously we strive to minimise such errors.

Less frequently, a share price can rise suddenly before we have established a full position. Old Mutual is a good example of this. By the end of 2011, 2% of the Fund was invested in Old Mutual. We had been accumulating shares in Old Mutual through the year. We were attracted by its substantial discount to embedded value, but more importantly by the resolve of the new management team to de-risk the business, allocate capital sensibly and unlock value for shareholders. Old Mutual traded in a range of R13 to R15 per share for most of the year, before rocketing to over R17 per share in December on the news that the company would be selling its Scandinavian business for a great price. Clearly the market was just as surprised by this announcement as we were.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	2540.3	820.3	104.6
Annualised:			
Since inception	28.0	18.2	5.6
Latest 10 years	20.7	15.2	5.9
Latest 5 years	9.0	8.1	6.9
Latest 3 years	16.2	17.3	5.3
Latest 2 years	13.5	10.5	4.8
Latest 1 year	10.1	2.6	6.1

1. FTSE/JSE All Share Index including income (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Sector allocation on 31 December 2011

Sector	% of portfolio	% of ALSI
Oil & gas	11.3	5.4
Basic materials	21.7	33.2
Industrials	11.2	5.8
Consumer goods	25.4	17.0
Health care	2.4	2.0
Consumer services	2.6	9.6
Telecommunications	2.6	7.2
Financials	17.4	19.6
Technology	1.2	0.3
Other	0.7	-
Money Market and Bank Deposits	3.6	-
Total	**100.0**	**100.0**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	30 Jun 2011	31 Dec 2011
Cents per unit	179.2718	62.9228

Allan Gray-Orbis Global Equity Feeder Fund

Portfolio manager

Ian Liddle (The underlying Orbis Global Equity Fund is managed by Orbis)

Fund objective and benchmark

The Fund aims to outperform global stock markets over the long term, without taking on greater risk. Its benchmark is the FTSE World Index, including income.

Commentary

Globally, the big picture has been tough to ignore as of late. Whether it is Europe's sovereign debt crisis, political gridlock in Japan, or government intervention in the US, there is plenty to worry about. This has made markets volatile and highly correlated – but does it make stock picking harder?

The consensus view is 'yes', and it has even become fashionable to argue that stock picking is dead. Unsurprisingly, Orbis has a different view. When correlations are unusually high, investors are effectively tarring all companies with the same brush. This creates significant mispricings and can present attractive opportunities to patient investors.

Nowhere is this more apparent than in the technology sector. In the 'lost decade' since the technology, media, and telecom bust, there has been a prolonged consolidation. What has emerged is a roster of companies that have built world-class franchises with unmatched scale and distribution, particularly in emerging markets.

Just look at Apple. Its success in the US needs no introduction. But Apple also has substantial exposure to emerging markets, many of which remain relatively untapped. And globally, despite the high profile of the iPhone, Apple accounted for just 17% of smartphones shipped in Q4 2011, and a mere 5% of all mobile phones sold. As consumers continue to ditch traditional mobile phones for smartphones, Orbis believes Apple's iOS and Google's Android will become the dominant smartphone platforms.

At its recent US$405 share price, Orbis estimates that Apple offers a 14% free cash flow yield after adjusting for net cash and investments of US$87 per share. This valuation implies that Apple is worth about seven and a half times its current annual cash flow. We view this scenario as unlikely given Apple's strong product pipeline. At its current valuation, investors effectively pay nothing for a 'call option' on Apple's future product innovations.

When macroeconomic concerns drag on good and bad companies alike, there are often opportunities to buy exceptional companies at a substantial discount to intrinsic value. Waiting for the market to recognise that value can be frustrating, but contrarian investors have historically been rewarded for their patience.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	80.5	65.6	50.4
Annualised:			
Since inception	9.1	7.8	6.2
Latest 5 years	2.6	1.6	6.9
Latest 3 years	5.6	7.0	5.3
Latest 2 years	2.6	7.6	4.8
Latest 1 year	10.2	13.9	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	38.6	27.2	17.4
Annualised:			
Since inception	4.9	3.7	2.4
Latest 5 years	-0.4	-1.4	2.2
Latest 3 years	10.8	12.3	2.4
Latest 2 years	-2.1	2.7	2.2
Latest 1 year	-9.5	-6.5	3.0

1. FTSE World Index including income (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure on 31 December 2011
This Fund invests solely into the Orbis Global Equity Fund

Region	Fund's % exposure to:		% of World Index
	Equities	Currencies	
United States	47	50	47
Canada	2	2	4
North America	**49**	**52**	**51**
United Kingdom	9	13	9
Continental Europe	7	14	17
Europe	**16**	**27**	**26**
Japan	**17**	**2**	**8**
Greater China	10	12	4
Korea	5	5	2
Other	0	0	1
Asia ex-Japan	**15**	**17**	**7**
Other	**2**	**2**	**8**
Current assets	**1**	**0**	**0**
Total	**100**	**100**	**100**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	**31 Dec 2011**
Cents per unit	0.2114

Allan Gray Balanced Fund

Portfolio managers

Ian Liddle, Duncan Artus, Delphine Govender, Andrew Lapping and Simon Raubenheimer (Most foreign assets are invested in Orbis funds)

Fund objective and benchmark

The Fund aims to create long-term wealth for investors within the constraints governing retirement funds. It aims to outperform the average return of similar funds without assuming any more risk. The Fund's benchmark is the market value-weighted average return of funds in both the Prudential Medium Equity category and the Prudential Variable Equity category (excluding the Allan Gray Balanced Fund).

Commentary

Despite the shaky performance of most global equity markets in 2011 (the MSCI World Index returned a negative 5% in dollars for the year), the Fund's foreign holdings contributed substantially to its returns as the rand weakened from R6.62 per dollar at the beginning of January to R8.07 per dollar by year-end.

The Fund's holding in British American Tobacco (BAT) is now classified as domestic, and it is included with the Fund's other South African shares in the asset allocation table alongside this commentary. This reclassification, which was enacted by the authorities in December, had the effect of reducing the Fund's measured foreign exposure. We increased the Fund's foreign exposure back towards the 25% limit opportunistically over December, as we continue to see more attractive value in global stocks than those listed on the JSE, and we continue to see more long-term downside risk than upside potential for the rand.

An important feature of 2011 was the underperformance of the emerging markets – the MSCI Emerging Market Index returned a negative 18.2% in dollars, and the FTSE/JSE All Share Index (ALSI) returned a negative 16% in dollars. This was only the third calendar year this millennium in which emerging markets underperformed developed markets (the other two years were 2000 and 2008).

The publishers of stock market indices tend to focus on a company's country of incorporation or market of primary listing when determining its eligibility for an index. But this can be a poor approximation of the underlying exposures which drive a company's performance. For example, we estimate that more than half of BAT's profits originate from emerging market countries, but there is no place for it in the MSCI Emerging Markets Index because it is listed in London.

Similarly, many of the US technology stocks currently held in the Orbis funds such as Cisco, Google, Qualcomm and Apple, are classified as developed market stocks, but they undoubtedly benefit from the rapid adoption of technology in the developing world. Investors who slavishly track the 'official' emerging markets stocks may be missing out on some relatively attractively priced companies, which stand to benefit at least as much from long-term progress in the developing world, but with arguably less downside in the event of macroeconomic disturbances.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	825.2	380.1	100.8
Annualised:			
Since inception	19.9	13.7	5.9
Latest 10 years	17.4	13.1	5.9
Latest 5 years	9.4	7.2	6.9
Latest 3 years	12.1	11.7	5.3
Latest 2 years	11.1	9.4	4.8
Latest 1 year	11.9	6.4	6.1

1. The daily average return weighted by market value of funds in both the Domestic Asset Allocation Prudential Medium and Prudential Variable Equity categories excluding the Allan Gray Balanced Fund (Source: Morningstar), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total	SA	Foreign
Net Equity	57.0	46.1	10.9
Hedged Equity	10.6	3.1	7.6
Property	0.4	0.4	-
Commodities (Gold)	2.9	2.9	-
Bonds	9.6	9.6	-
Money Market and Bank Deposits	19.5	13.7	5.8
Total	**100.0**	**75.8**	**24.3**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	**30 Jun 2011**	**31 Dec 2011**
Cents per unit	73.1260	67.8871

Allan Gray-Orbis Global Fund of Funds

Portfolio manager

Ian Liddle (The underlying Orbis funds are managed by Orbis)

Fund objective and benchmark

The Fund aims to create long-term wealth for investors without exceeding a maximum net equity exposure limit of 75%. It aims to outperform the average return of funds subject to similar constraints without taking on more than their average risk. The Fund's benchmark is a portfolio made up 60% by the FTSE World Index, including income, and 40% the JP Morgan Global Government Bond index.

Commentary

Globally, the big picture has been tough to ignore of late. Whether it is Europe's sovereign debt crisis, political gridlock in Japan, or government intervention in the US, there is plenty to worry about. This has made markets volatile and highly correlated – but does it make stock picking harder?

The consensus view is 'yes', and it has even become fashionable to argue that stock picking is dead. Unsurprisingly, Orbis has a different view. When correlations are unusually high, investors are effectively tarring all companies with the same brush. This creates significant mispricings and can present attractive opportunities to patient investors.

Attractive opportunities frequently come in groups. These concentrations tend to cluster around specific industries or countries. Currently, one of the largest clusters in both the Orbis Global Equity Fund and the Orbis Optimal SA Fund is in technology shares. In the 'lost decade' since the technology, media, and telecom bust, there has been a prolonged consolidation. What has emerged is a roster of companies that have built world-class franchises with unmatched scale and distribution, particularly in emerging markets. Excellent examples in the Global Fund include Apple, Cisco, and Qualcomm.

In other areas, Orbis analysts have found several compelling 'deep value' opportunities that offer strong potential returns with limited downside risk. One example in the Orbis Japan Equity Fund is Japan Tobacco, which has failed to deliver the strong, stable returns of its peers. Orbis believes the company is priced very cheaply, but the reasons for this discount are starting to erode, suggesting that the company's future may be very different from its past.

Though relative performance never comes in a straight line, Allan Gray and Orbis remain committed to our shared investing philosophy. We wholeheartedly believe that doing so is the best way for us to create value on your behalf.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	71.0	76.1	56.7
Annualised:			
Since inception	7.0	7.4	5.8
Latest 5 years	5.6	5.8	6.9
Latest 3 years	0.6	4.7	5.3
Latest 2 years	2.9	9.8	4.8
Latest 1 year	16.6	20.7	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	48.3	52.7	21.7
Annualised:			
Since inception	5.1	5.5	2.5
Latest 5 years	2.5	2.7	2.2
Latest 3 years	5.6	9.9	2.4
Latest 2 years	-1.8	4.8	2.2
Latest 1 year	-4.3	-0.9	3.0

1. 60% of the FTSE World Index including income and 40% of the JP Morgan Global Government Bond Index (Source: Bloomberg), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure of funds on 31 December 2011

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	13	21	62
Europe	8	7	16
Japan	27	6	8
Asia ex-Japan	5	6	12
Other	1	1	3
Total	**54**	**40**	**100**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	**31 Dec 2011**
Cents per unit	No distribution

Allan Gray Stable Fund

Portfolio manager

Ian Liddle (Most foreign assets are invested in Orbis funds)

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability and to minimise the risk of loss over any two-year period, while producing long-term returns that are superior to bank deposits on an after-tax basis. The Fund's benchmark is the return of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%, on an after-tax basis at an assumed tax rate of 25%.

Commentary

The Fund had a good year in 2011, returning 12.7% for the year (before any notional tax adjustments). This was ahead of the before-tax benchmark return of 6.7% for the year. It was also ahead of the returns for both the Allan Gray Equity Fund and the Allan Gray Balanced Fund for the year.

We are mindful that this good year follows two mediocre years for the Fund. Most of the Fund's investors remained patiently invested through the mediocre years, and enjoyed some of the fruits of this patience in 2011.

A major detractor from the Fund's performance in 2009 and 2010 was the effect of the strengthening rand on the Fund's foreign positions. The rand reversed course in 2011, weakening from R6.62 per dollar in January to R8.07 per dollar by year-end. The further loosening of the foreign exposure limit by the regulators in late 2010 allowed us to take some advantage of the rand's strength to increase the Fund's foreign weighting at an opportune time.

The foreign exposure of the Fund has grown steadily since the Orbis funds were first introduced into the Fund in 2004. By year-end, the Fund's foreign exposure of 24.3% was marginally below the prudential maximum limit of 25%. This higher foreign exposure will probably increase the monthly volatility of the Fund's returns somewhat as the Fund's foreign holdings will be translated using the rand exchange rate, which will probably continue to be volatile. But we believe that any extra volatility is justified by the more attractive value currently to be found in global equities than those listed on the JSE, by the greater long-term downside risk than upside potential for the rand, and by the considerable diversification benefits from holding global stocks rather than just South African stocks. For some examples of these diversification benefits, please refer to the quarterly fund factsheet commentary for the Allan Gray Balanced Fund of September 2011.

Investment managers can never afford to rest on their laurels - even after a good year. The future long-term performance of the Fund is being determined by the quality of the investment decisions we are making today. We remain focused on the Fund's long-term objective to beat bank deposit returns, while providing capital stability over any two-year period.

Performance net of all fees and expenses

% Returns	Fund[1]	Bench-mark[1 2]	CPI inflation[3]
Unannualised:			
Since inception	300.6	128.3	90.9
Annualised:			
Since inception	12.8	7.4	5.8
Latest 10 years	12.1	7.3	5.9
Latest 5 years	8.5	7.1	6.9
Latest 3 years	7.2	6.0	5.3
Latest 2 years	8.0	5.3	4.8
Latest 1 year	12.1	4.9	6.1

1. Fund and benchmark performance adjusted for income tax at an assumed rate of 25%. (See Fund objective). For 'before tax' information refer to the December 2011 factsheet.
2. The return of call deposits (for amounts in excess of R5m) with FirstRand Bank Limited plus 2%; on an after-tax basis at an assumed tax rate of 25% (Source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2011.
3. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total	SA	Foreign
Net Equity	18.7	10.6	8.1
Hedged Equity	25.2	15.1	10.1
Property	0.3	0.3	-
Commodities (Gold)	2.7	2.7	-
Bonds	9.2	9.2	-
Money Market and Bank Deposits	43.9	37.8	6.1
Total	**100.0**	**75.7**	**24.3**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus quarterly.

	31 Mar 2011	30 Jun 2011	30 Sept 2011	31 Dec 2011
Cents per unit	16.8426	17.1335	17.2251	16.2721

Allan Gray Optimal Fund

Portfolio manager

Delphine Govender

Fund objective and benchmark

The Fund aims to provide investors with long-term positive returns higher than those available in the money market sector, irrespective of stock market returns. The Fund's benchmark is the return on call deposits (for amounts in excess of R5m) with FirstRand Bank Limited.

Commentary

Global economic uncertainties have continued to weigh heavily on equity markets around the world and accordingly markets have delivered anaemic to poor returns for 2011.

While the Fund only marginally exceeded its benchmark over the past 12 months, it outperformed the FTSE/JSE All Share Index for the past year. This should not be surprising as, with its low equity component, the Fund is designed to deliver returns uncorrelated with the stock market and therefore tends to beat the market when equity returns are weak.

Times of heightened and ongoing macro uncertainty almost always translate into considerable volatility in asset prices, especially when these prices are not particularly cheap. Volatility, in turn, often causes more consensus-driven investors to overreact in the short term, and this overreaction can create potential buying opportunities for those investors who prefer to look through the emotion and focus on the fundamentals.

In this vein, during the course of the year, the net equity component of the Fund was slightly increased when times of panicked selling created patches of opportunity. Notwithstanding this, the South African stock market is still not unequivocally cheap, especially in relation to our estimate of sustainable earnings for the market, which is somewhat below the current high level of earnings.

We continue to remain cautious about our expectations for the likely performance of equities over the short term and remain ever focused on pursuing, amongst others, the capital stability objective of this Fund.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	116.1	94.2	61.6
Annualised:			
Since inception	8.7	7.4	5.3
Latest 5 years	7.6	7.4	6.9
Latest 3 years	5.5	5.9	5.3
Latest 2 years	5.0	5.1	4.8
Latest 1 year	4.7	4.6	6.1

1. The return on call deposits with FirstRand Bank Limited (for amounts in excess of R5m) (Source: FirstRand Bank), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Asset allocation on 31 December 2011

Asset class	Total
Net SA Equities	6.3
Hedged SA Equities	78.8
Property	0.5
Money Market and Bank Deposits	14.4
Total	**100.0**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus biannually.	**30 Jun 2011**	**31 Dec 2011**
Cents per unit	11.0908	19.1265

Allan Gray-Orbis Global Optimal Fund of Funds

Portfolio manager

Ian Liddle (The underlying Orbis funds are managed by Orbis)

Fund objective and benchmark

The Fund aims to provide a high degree of capital stability (when measured in the foreign currency denominations of the underlying Orbis Funds), while producing long-term returns that are superior to foreign currency bank deposits. The Fund's benchmark is the simple average of the benchmarks of the underlying Orbis Optimal SA funds.

Commentary

Attractive opportunities frequently come in groups. In the Orbis Optimal SA Fund, these concentrations tend to cluster around specific industries or countries. Orbis has always been willing to invest with conviction in a handful of these clusters at any time, producing portfolios that are often dramatically different from the benchmark.

Importantly, this willingness to follow conviction is also the prime contributor to the higher tracking errors of the Orbis funds; that is, they have been more likely than other funds to have performance that varies in both magnitude and direction versus the index. Most of the time, this very different performance has been pleasing, but sometimes – including recently – it is the opposite. But Orbis continues to follow this approach. Outperformance does not come in a straight line, and without deviating significantly from the market, it would be impossible for Orbis or Allan Gray to deliver our historical levels of outperformance.

So what are the concentrations now? In the Optimal SA Fund, the significant overweighting in technology stands out. Like most significant high conviction overweight positions, the technology exposure has been building up for some time. In doing so, Orbis will often take advantage of short-term underperformance to add to positions, lowering the average purchase price of high-conviction ideas. In fact, the underperformance and big build-up of clusters tend to go hand-in-hand: Orbis develops conviction; invests in a few attractive stocks in a sector; the shares in the sector continue to underperform, causing the Fund's holdings and others in the sector to become even more attractive; and Orbis continues to add to the exposure. Should this continue long enough, an ever-more obvious difference from the benchmark develops.

It is important to note that Orbis does not add to all positions that go down, nor do we always see our decisions vindicated when we do. The same discipline applies on the positive side: if the share's valuation returns to a level that makes others more attractive, Orbis will sell.

Only time will tell if your Fund's large position in selected technology shares will prove wise. More often than not, clusters in the Orbis funds have paid off handsomely for investors, but of course, there have been exceptions. Way back in 1997, the Orbis Global Equity Fund suffered badly from its 10% overweighting in Korea and the won, as a severe stock market sell-off was compounded by a collapse in the currency. Still, while endeavouring to keep lopsided risks in check through risk tools and prudent portfolio management, Orbis will continue to allow high conviction ideas to grow into thematic clusters in your Fund. We believe that doing so is one of the best ways to drive pleasing long-term results on your behalf.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	ZAR	ZAR	ZAR
Unannualised:			
Since inception	3.6	4.6	8.8
Annualised:			
Since inception	1.9	2.5	4.7
Latest 1 year	19.8	20.8	6.1

% Returns	Fund	Benchmark[1]	CPI inflation[2]
	US$	US$	US$
Unannualised:			
Since inception	-1.8	-0.9	4.2
Annualised:			
Since inception	-1.0	-0.4	2.3
Latest 1 year	-1.6	-0.8	3.0

1. The simple average of the benchmarks of the underlying funds, performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Geographical exposure of funds on 31 December 2011

Region	Net equity exposure (%)	Hedged equity exposure (%)	Fund currency exposure (%)
North America	0	38	63
Europe	6	12	21
Japan	8	10	0
Asia ex-Japan	2	11	13
Other	0	1	4
Total	**16**	**72**	**100**

Note: There may be slight discrepancies in the totals due to rounding.

Income distributions for the last 12 months

To the extent that income earned in the form of dividends and interest exceeds expenses in the Fund, the Fund will distribute any surplus annually.	**31 Dec 2011**
Cents per unit	0.2553

Allan Gray Bond Fund

Portfolio managers

Sandy McGregor, Andrew Lapping

Fund objective and benchmark

The Fund aims to provide investors with a real return over the long-term and outperform the All Bond Index at no greater risk.

Commentary

The Euro crisis has created a very uncertain investment climate. During the last quarter of 2011 bond markets were very volatile. While there were no net foreign purchases of South African bonds over the quarter, there have been significant daily flows in and out of our market. In a world of zero interest rates SA bonds look attractive, but the impact of domestic issues is becoming increasingly important.

Inflation has broken through the 6% upper band of the Reserve Bank's target. A weak currency is stoking inflationary pressures. Political tensions in the ANC, market-unfriendly policies and declining commodity prices promote rand weakness. South Africa is experiencing stagflation, a weak economy with rising prices. The Reserve Bank is hesitant to raise rates while business conditions are poor. As such, it is likely the short rates will remain fixed at current levels for some time to come.

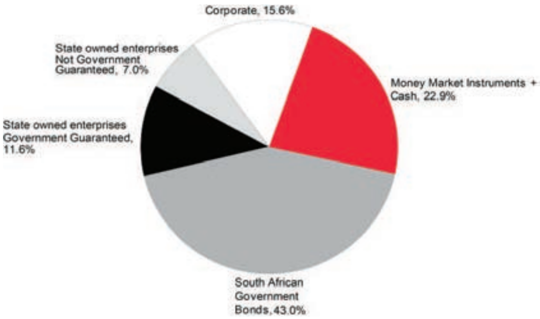
The slope of the yield curve reflects this situation. At the end of 2011 30-year SA government bonds were at about 9% and call money was at 5.5%. Investors are now compensated for taking the risk of owning longer dated bonds. Accordingly, while the Fund's duration remains below its ALBI benchmark, it does include a significant number of higher yielding longer dated bonds.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	95.5	90.2	53.7
Annualised:			
Since inception	9.7	9.3	6.1
Latest 5 years	9.4	8.6	6.9
Latest 3 years	9.6	7.4	5.3
Latest 2 years	11.7	11.9	4.8
Latest 1 year	9.6	8.8	6.1

1. All Bond Index (Source: I-Net Bridge), performance as calculated by Allan Gray as at 31 December 2011.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Fund allocation on 31 December 2011



Income distributions for the last 12 months

Actual payout, the Fund distributes quarterly	31 Mar 2011	30 Jun 2011	30 Sept 2011	31 Dec 2011
Cents per unit	20.9568	21.1033	20.0630	19.1141

Allan Gray Money Market Fund

Portfolio manager

Andrew Lapping

Fund objective and benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index.

Commentary

Despite market expectations for interest rate stability, interest rates are usually stable for only short periods of time. 2011 was unusual in this regard, in that the repo rate was unchanged at 5.5% for the full year. Rates have been stable for similar periods only twice before over the past 11 years. However, term interest rates moved through the year as investor expectations changed, for example the 12-month NCD rate fell to 5.75% at one stage as investors discounted rate cuts because of the weak economy and stable rand. These cuts did not materialise as the rand weakened during the second half of the year, putting pressure on the inflation rate and offsetting the case for rate cuts, causing the 12-month rate to rise to the current 6.1%.

The market is discounting more of the same for rates in 2012, i.e. no changes. This is an unlikely outcome. The question is, in which direction will rates surprise the market and when? Regular readers of our factsheets will know we have concerns about the structure of the South African labour market and the rising administered prices. These factors put upward pressure on the inflation rate. Offsetting this are currently high commodity prices, which could fall, for example oil at US$110/barrel; the possibility of rand stability after the recent 20% decline against the dollar and the dire economic situation in Europe rubbing off on the Reserve Bank's Monetary Policy Committee. Consensus expectations are for the inflation rate to increase further in the short term before stabilising and falling back below 6% in the second half of the year.

We agree that inflation will continue to rise, but are sceptical about whether it will fall below 6% as soon as expected. This must be put in the context of a repo rate of 5.5%, below the latest inflation reading of 6.1%. With the repo rate already below the inflation rate, an unusual situation in an inflation targeting regime, we believe the interest rate surprise will more likely come in the form of a rate hike rather than a cut, and have positioned the Fund accordingly.

Performance net of all fees and expenses

% Returns	Fund	Benchmark[1]	CPI inflation[2]
Unannualised:			
Since inception	145.2	143.8	79.8
Annualised:			
Since inception	8.9	8.9	5.7
Latest 10 years	8.9	8.8	5.9
Latest 5 years	8.7	8.5	6.9
Latest 3 years	7.3	7.2	5.3
Latest 2 years	6.4	6.2	4.8
Latest 1 year	5.7	5.5	6.1

1. The current benchmark is the Alexander Forbes Short Term Fixed Interest (STeFI) Composite Index. Since inception to 31 March 2003, the benchmark was the Alexander Forbes 3-Month Deposit Index. From 1 April 2003 to 31 October 2011 the benchmark was the Domestic Fixed Interest Money Market Collective Investment Scheme sector excluding the Allan Gray Money Market Fund.
2. This is based on the latest numbers published by I-Net Bridge as at 31 December 2011.

Exposure by issuer on 31 December 2011

RSA	22.3
Denel	2.4
Government and parastatals	**24.7**
Sanlam	3.1
Toyota	0.8
Vodacom	0.8
MTN	0.1
Corporates	**4.8**
FirstRand Bank	16.9
Nedbank	16.8
ABSA	15.1
Standard Bank	15.5
Investec	4.9
JP Morgan	0.9
Deutsche Bank	0.2
Banks[3]	**70.3**
Total	**100.0**

Note: There may be slight discrepancies in the totals due to rounding.

3. Banks include negotiable certificates of deposit (NCDs), fixed deposits and call deposits.

Income distributions for the last 12 months

Actual payout (cents per unit), the Fund distributes monthly

Jan 2011	Feb 2011	Mar 2011	Apr 2011
0.50	0.44	0.49	0.46
May 2011	**Jun 2011**	**Jul 2011**	**Aug 2011**
0.47	0.45	0.46	0.46
Sept 2011	**Oct 2011**	**Nov 2011**	**Dec 2011**
0.45	0.46	0.44	0.46

Allan Gray Unit Trusts Annual Fees and Total Expense Ratios

Fund	Annual investment management fee (excl. VAT)	Total expense ratio[1] (incl. VAT)				
		Total expense ratio (TER)	Included in TER			
			Performance component	Fee at benchmark	Trading costs	Other expenses
Allan Gray Equity Fund (JSE code: AGEF)	Performance fee on the out/underperformance of the benchmark (adjusted for fund expenses and cash flows) over a two-year rolling period. Minimum fee: 0.00% Fee at benchmark: 1.50% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 3.00%	2.00%	0.18%	1.71%	0.10%	0.01%
Allan Gray-Orbis Global Equity Feeder Fund[3] (JSE code: AGOE)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	2.22%	0.54%	1.49%	0.14%	0.05%
Allan Gray Balanced Fund (JSE code: AGBF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50%	1.24%	-0.02%	1.15%	0.09%	0.02%
Allan Gray-Orbis Global Fund of Funds[3] (JSE code: AGGF)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	1.79%	0.33%	1.24%	0.15%	0.07%
Allan Gray Stable Fund (JSE code: AGSF)	Performance fee on the out/underperformance of the benchmark over a two-year rolling period.[2] Minimum fee: 0.50% Fee at benchmark: 1.00% Sharing rate (of two-year outperformance): 10.00% Maximum fee: 1.50% No fee is charged if the Fund's cumulative return over a two-year period is equal to or less than 0%.	1.39%	0.17%	1.14%	0.06%	0.02%
Allan Gray Optimal Fund (JSE code: AGOF)	Performance fee on the outperformance of the benchmark. A high watermark structure applies. Minimum fee: 1.00% Fee at benchmark: 1.00% Sharing rate: 20.00% Maximum fee: uncapped	1.27%	0.00%	1.14%	0.12%	0.01%
Allan Gray-Orbis Global Optimal Fund of Funds[3] (JSE code: AGOO)	Allan Gray is paid a marketing and distribution fee by Orbis and charges no further fees. The underlying Orbis funds have their own fee structure.	1.21%	0.00%	0.98%	0.17%	0.06%
Allan Gray Bond Fund (JSE code: AGBD)	Performance fee on the outperformance of the benchmark (adjusted for fund expenses and cash flows) over a one-year rolling period. Minimum fee: 0.25% Fee at benchmark: 0.25% Sharing rate: 25.00% Maximum fee: 0.75%	0.59%	0.27%	0.29%	0.00%	0.03%
Allan Gray Money Market Fund (JSE code: AGMF)	Fixed fee: 0.25%	0.30%	0.00%	0.29%	0.00%	0.01%

1. A total expense ratio (TER) of a unit trust is a measure of the unit trust's assets that were relinquished as a payment of services rendered in the management of the unit trust. The total operating expenses are expressed as a percentage of the average value of the unit trust, calculated for the year to the end of December 2011. Included in the TER is the proportion of costs incurred by the performance component, fee at benchmark and other expenses. These are disclosed separately as percentages of the net asset value. Trading costs (including brokerage, VAT, STT, STRATE, levy and insider trading levy) are included in the TER. A high TER will not necessarily imply a poor return nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.
2. The annual management fee is calculated on the daily value of the Fund excluding any assets invested in the Orbis funds. Assets invested in the Orbis funds incur a management fee. These, along with other expenses are included in the total expense ratio.
3. Due to foreign exchange control regulations, the Fund may be closed from time to time. Unitholders can contact our Client Service Centre to confirm whether or not the Fund is open.

Compliance with Prudential Investment Guidelines:

Allan Gray Balanced, Stable, Bond and Money Market funds

The Funds are managed to comply with Regulation 28 of the Pension Funds Act. Exposures in excess of the limit will be corrected immediately, except where due to a change in the fair value or characteristic of an asset, e.g. market value fluctuations, in which case they will be corrected within a reasonable time period. Allan Gray Unit Trust Management (RF) Proprietary Limited does not monitor compliance by retirement funds with section 19(4) of the Pension Funds Act (item 6 of Table 1 to Regulation 28).

Income Statements

For the year ended 31 December 2011

	NOTES	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
		2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R
REVENUE		833 752 200	620 119 050	888 049	1 491 183	1 449 006 730	1 289 520 417	393 608	2 204 017	1 071 002 322	1 413 893 848	76 446 531	81 321 800	214 760	233 094	28 090 731	18 275 511	488 929 503	599 754 318
Dividends		779 756 357	545 894 677	-	-	624 925 176	440 670 706	-	-	213 670 128	171 242 195	58 024 391	55 167 380	-	-	-	-	-	-
Interest		53 995 843	74 224 373	888 049	1 491 183	824 081 554	848 849 711	393 608	2 204 017	857 332 194	1 242 651 653	18 422 140	26 154 420	214 760	233 094	28 090 731	18 275 511	488 929 503	599 754 318
OPERATING EXPENSES		510 262 541	621 321 966	325 874	257 111	397 387 899	468 600 102	414 659	409 432	303 969 511	326 099 174	30 307 375	36 266 871	73 794	61 061	2 046 952	1 139 279	24 536 786	24 326 343
Audit fee		87 521	82 267	34 715	32 631	101 661	95 560	35 974	33 816	89 671	84 289	87 807	82 536	36 016	33 815	63 777	59 951	74 957	70 053
Bank charges		211 337	160 352	7 070	6 427	285 209	258 306	2 764	3 642	237 127	243 640	55 378	61 400	6 965	12 383	23 571	18 878	93 774	78 791
Trustee fees		1 515 954	1 312 020	284 089	218 053	2 527 335	2 083 590	375 921	371 974	1 542 446	1 737 185	144 122	174 546	30 813	14 863	20 306	12 688	479 081	474 220
Management fee		508 447 729	619 767 327	-	-	394 473 694	466 162 646	-	-	302 100 267	324 034 060	30 020 068	35 948 389	-	-	1 939 298	1 047 762	23 888 974	23 703 279
Operating (loss)/profit before income adjustments		323 489 659	(1 202 916)	562 175	1 234 072	1 051 618 831	820 920 315	(21 051)	1 794 585	767 032 811	1 087 794 674	46 139 156	45 054 929	140 966	172 033	26 043 779	17 136 232	464 392 717	575 427 975
Income adjustments on creation and cancellation of units		(2 201 872)	633 006	35 366	46 873	27 297 773	24 270 446	(20 114)	13 784	(10 491 547)	(15 599 386)	(7 367 958)	(1 737 696)	2 029	(258 659)	1 697 896	977 586	-	-
Distributable (deficit[1])/profit[2]	1	321 287 787	(569 910)	597 541	1 280 945	1 078 916 604	845 190 761	(41 165)	1 808 369	756 541 264	1 072 195 288	38 771 198	43 317 233	142 995	(86 626)	27 741 675	18 113 818	464 392 717	575 427 975

1. See page 26 for a note on shortfalls of distributable profits and the treatment thereof.
2. Distributable profit was distributed in full to unitholders in both years.

Statements of Financial Position

As at 31 December 2011

	EQUITY FUND		GLOBAL EQUITY FEEDER FUND		BALANCED FUND		GLOBAL FUND OF FUNDS		STABLE FUND		OPTIMAL FUND		GLOBAL OPTIMAL FUND OF FUNDS		BOND FUND		MONEY MARKET FUND	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	R	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R	**R**	R
ASSETS																		
Investments	**27 767 442 516**	25 844 983 649	**5 066 556 092**	4 046 280 784	**48 652 729 980**	40 658 269 718	**6 632 111 807**	6 157 784 361	**27 998 043 069**	28 197 211 165	**1 906 378 720**	2 974 743 482	**575 608 727**	380 573 765	**466 102 524**	312 635 422	**8 752 433 918**	8 244 402 500
Current assets	**45 113 243**	44 566 365	**15 361 580**	28 408 463	**45 837 658**	47 956 965	**27 499 480**	21 746 186	**34 740 821**	21 939 551	**9 179 839**	11 681 118	**6 622 409**	4 467 075	**937 605**	1 054 170	**7 757 636**	8 740 878
Total assets	**27 812 555 759**	25 889 550 014	**5 081 917 672**	4 074 689 247	**48 698 567 638**	40 706 226 683	**6 659 611 287**	6 179 530 547	**28 032 783 890**	28 219 150 716	**1 915 558 559**	2 986 424 600	**582 231 136**	385 040 840	**467 040 129**	313 689 592	**8 760 191 554**	8 253 143 378
LIABILITIES																		
Current liabilities	**167 557 180**	133 805 240	**758 739**	300 687	**594 597 292**	677 143 217	**49 046**	438 275	**215 948 187**	362 889 933	**36 054 504**	28 694 464	**2 420 375**	738 681	**8 288 882**	8 222 832	**41 361 393**	44 009 794
Net assets attributable to unitholders	**27 644 998 579**	25 755 744 774	**5 081 158 933**	4 074 388 560	**48 103 970 346**	40 029 083 466	**6 659 562 241**	6 179 092 272	**27 816 835 703**	27 856 260 783	**1 879 504 055**	2 957 730 136	**579 810 761**	384 302 159	**458 751 247**	305 466 760	**8 718 830 161**	8 209 133 584

Distribution to Unitholders

As at 31 December 2011

1. Distribution schedules

	Notes	2011		2010	
		Cents per unit	Distribution R	Cents per unit	Distribution R
Allan Gray Equity Fund					
30 June					
Class A		179.2718	237 404 524	-	-
Class B		64.6146	2 825 937	-	-
31 December					
Class A		62.9228	82 839 010	47.5663	63 194 692
Total distribution for the year			323 069 471		63 194 692
Shortfall of income funded by net assets attributed to unitholders	2		(1 781 684)		(63 764 602)
Distributable (deficit)/profit for the year			321 287 787		(569 910)
Allan Gray-Orbis Global Equity Feeder Fund					
30 June					
Class A		-	-	0.4361	1 016 589
31 December					
Class A		0.2114	597 541	0.1058	264 356
Total distribution for the year			597 541		1 280 945
Allan Gray Balanced Fund					
30 June					
Class A		73.1260	534 628 149	55.2117	357 132 316
Class B		38.1748	14 415 707	23.1177	9 158 585
31 December					
Class A		67.8871	518 177 539	67.6430	465 931 522
Class B		31.3456	11 695 209	33.8799	12 968 338
Total distribution for the year			1 078 916 604		845 190 761
Allan Gray-Orbis Global Fund of Funds					
30 June					
Class A		-	-	0.2850	1 416 950
31 December					
Class A		-	-	0.0787	391 419
Total distribution for the year			-		1 808 369
Shortfall of income funded by net assets attributed to unitholders	2		(41 165)		-
Distributable (deficit)/profit for the year			(41 165)		1 808 369
Allan Gray Stable Fund					
31 March					
Class A		16.8426	188 232 606	21.6542	275 525 994
Class B		9.8570	8 909 470	14.8120	17 886 834
30 June					
Class A		17.1335	182 699 082	21.9314	279 099 539
Class B		10.0821	8 442 856	14.9594	17 194 434
30 September					
Class A		17.2251	179 771 212	19.3605	243 617 459
Class B		9.9036	7 987 166	12.3239	13 405 197
31 December					
Class A		16.2721	173 434 054	18.4692	214 484 407
Class B		8.7078	7 064 818	11.4523	10 981 424
Total distribution for the year			756 541 264		1 072 195 288

	Notes	2011		2010	
		Cents per unit	Distribution R	Cents per unit	Distribution R
Allan Gray Optimal Fund					
30 June					
Class A		**11.0908**	**17 610 876**	9.4560	17 667 723
Class B		**0.9264**	**33 842**	-	-
31 December					
Class A		**19.1265**	**20 864 742**	14.3938	25 482 936
Class B		**8.6826**	**261 738**	3.7398	166 574
Total distribution for the year			**38 771 198**		43 317 233
Allan Gray-Orbis Global Optimal Fund of Funds					
31 December					
Class A		**0.2553**	**142 995**	0.2683	119 314
Total distribution for the year			**142 995**		119 314
Shortfall of income funded by net assets attributed to unitholders	2		**-**		(205 940)
Distributable (deficit)/profit for the year			**142 995**		(86 626)
Allan Gray Bond Fund					
31 March					
Class A		**20.9568**	**5 665 588**	20.8577	3 264 390
30 June					
Class A		**21.1033**	**6 123 240**	20.8956	3 525 432
30 September					
Class A		**20.0630**	**7 934 434**	21.3259	5 294 271
31 December					
Class A		**19.1141**	**8 018 413**	21.2260	6 029 725
Total distribution for the year			**27 741 675**		18 113 818

Allan Gray Money Market Fund

The Allan Gray Money Market Fund distributes on a daily basis. This distribution is paid over to unitholders on a monthly basis. These daily distribution details have not been disclosed on this note because of the frequency of the distributions.

2. Shortfalls of distributable profits

The following amounts have been transferred from the net assets attributable to unitholders to fund shortfalls in distributable profits in terms of section 51.2 of the Deed.

	2011 R	2010 R
Allan Gray Equity Fund A & B Class (June)	**-**	61 329 995
Allan Gray Equity Fund A & B Class (December)	**1 781 684**	2 434 607
Allan Gray-Orbis Global Optimal Fund of Funds (June)	**-**	205 940
Allan Gray Orbis Global Fund of Funds (December)	**41 165**	-
Total shortfalls for the year	**1 822 849**	63 970 542

Trustees' Report on the Allan Gray Unit Trust Scheme

As trustees to the Allan Gray Unit Trust Scheme ("the Scheme"), we are required in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002) ("the Act") to report to unitholders on the administration of the Scheme during each annual accounting period.

We therefore confirm that for the period 1 January 2011 to 31 December 2011 the Scheme has been administered:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the manager by the Act; and

(ii) in accordance with the provisions of the Act and the relevant deeds.

There were no material instances of compliance contraventions and therefore no consequent losses incurred by the Portfolios in the year.

Nelia de Beer
Head Trustee Services

Marian Rutters
Operations Manager Trustee Services

Custody and Trustee Services
Corporate and Investment Banking
First National Bank, a division of FirstRand Bank Limited

Johannesburg
10 February 2012

Legal Notes

Collective Investment Schemes (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may change in line with market movements. Past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may also cause the value of underlying international investments to change.

Performance data is based on a lump sum investment calculated on a net asset value (NAV) to NAV basis where distributions may be reinvested for certain classes of funds.

Collective Investment Schemes may borrow up to 10% of the market value of the portfolio where insufficient liquidity exists in a portfolio, or where assets cannot be realised to repurchase, or cancel participatory interests.

Minimum investment amounts may be raised in the future at the discretion of the Manager.

Units are priced using the forward pricing method

Investment, withdrawals and switching instructions received after 14:00 on any day shall be processed on the following day (excluding weekends and public holidays) at the value of the units on the day that the instruction is processed. Please refer to the relevant Terms and Conditions on the relevant application form. Collective Investment Schemes valuations take place at approximately 16:00 each business day.

Units will be repurchased by the Manager at the ruling price, according to the requirements of the Collective Investment Schemes Control Act No. 45 of 2002 and in line with the Terms and Conditions set out in the relevant deed, and paid to the investor.

The Allan Gray Money Market Fund aims to maintain a constant price of 100 cents per unit. The total return to the investor is primarily made up of interest received but may also include any gain or loss made on any particular instrument held. In most cases this will have the effect of increasing or decreasing the daily yield, but in some cases, for example in the event of a default on the part of an issuer of any instrument held by the fund, it can have the effect of a capital loss. Such losses will be borne by the Allan Gray Money Market Fund and its investors and in order to maintain a constant price of 100 cents per unit, investors' unit holdings will be reduced to the extent of such losses.

Different classes of units are subject to different fees and charges

Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commissions may be paid and if so, would be included in the overall costs. Different classes of units apply to the Allan Gray Equity, Balanced, Stable and Optimal Funds only and are subject to different fees and charges. A detailed schedule of fees and charges and maximum commissions is available on request from the management company. A fund of funds unit trust may only invest in other unit trusts, which levy their own charges. This could result in a higher fee structure for these Funds. Permissible deductions from the total portfolio may include bank charges, trustee/custodian fees, auditor's fees, manager's annual management fee, securities transfer tax (STT) and brokerage fees.

Unit trusts may be capped to allow them to stick to their mandates

All of the unit trusts except the Allan Gray Money Market Fund may be closed at any time. This is to allow them to be managed according to their mandates.

Initial adviser fees

The buying price of units may include an initial adviser fee of up to a maximum of 3.42% (3% plus VAT) of the investment amount. This fee is not compulsory and is negotiated independently between the unitholder and the financial adviser.

FTSE/JSE

The FTSE/JSE Africa Index Series is calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. The FTSE/JSE Africa Index Series is the proprietary information of FTSE and the JSE. All copyright subsisting in the FTSE/JSE Africa Index Series index values and constituent lists vests in FTSE and the JSE jointly. All their rights are reserved.

Allan Gray Unit Trust Management (RF) Proprietary Limited

Allan Gray Unit Trust Management (RF) Proprietary Limited is a member of the Association for Savings and Investment SA (ASISA) in South Africa. Allan Gray Proprietary Limited, an authorised financial services provider, is the appointed investment manager of Allan Gray Unit Trust Management (RF) Proprietary Limited.

Tax notes

Institutional investors should note that, compared to retirement funds, unit trusts operate under different tax rules. While unit trusts are in practice not taxed, they do not enjoy automatic tax exemption and any taxable income earned is taxable in the hands of investors.

A transfer of units to another legal entity or natural person may result in a payment of Capital Gains Tax (excluding transfers from the Allan Gray Money Market Fund).

Communication with investors

Statements are sent to all unitholders on a quarterly basis. In addition, confirmations are sent on a transaction basis (excluding debit orders).

Copies of the audited annual financial statements of the Manager and of the unit trusts it manages are available, free of charge, on request by any investor.

MANAGEMENT COMPANY

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DIRECTORS

Executive Directors

R Formby	B Sc (Eng) MBA
J C Marais	B Sc

Non-executive Directors

V A Christian	B Com CA (SA) (Independent)
R W Dower	B Sc (Eng) MBA
E D Loxton	B Com (Hons) MBA (Chairman)
J W T Mort	BA LLB (Independent)

COMPANY SECRETARY

T J W Molloy B Com (Hons) CA (SA)

DETAILS OF THE INDIVIDUAL WHO SUPERVISED THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

C J Hetherington B Com CA (SA)

INVESTMENT MANAGER

Allan Gray Proprietary Limited is an authorised financial services provider.

TRUSTEE

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PO Box 7713 Johannesburg 2000
South Africa

AUDITORS

Ernst & Young Inc.

Allan Gray Unit Trust Management (RF) Proprietary Limited is a member of the Association for Savings & Investment SA (ASISA).